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ABSTRACT

Utilizing 178 case study documents on U.S. plant locations in the rural Midwest and South between 1945 and 1974, consideration was given to the impact of industrial development on population dynamics, private and public sectors, and the quality of well being in the host communities. Thirty-one empirical generalizations were derived from the documents studied and then weighed against the following federally supported policy goals: (1) achieve a more balanced population distribution; (2) decrease the percentage of families below the poverty level; (3) achieve greater equality of income; (4) reduce unemployment; and (5) upgrade the quality and availability of basic services. The following were among 13 statements generated from comparison of the generalizations with public policy: (1) public money is not needed to induce industrial migration but is needed perhaps to guide industry toward publicly beneficial site selection; (2) low skill, low wage industries should be encouraged to locate where there is a surplus of low skill labor; (3) to prevent residents from being bypassed by industrially generated employment, training programs should be established and antidiscrimination laws should be enforced; and (4) small towns should be carefully selected so that funds are not dissipated on areas with little self-generation growth potential. (JC)

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Industrial Invasion of Nonmetropolitan America

A Quarter Century of Experience

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Chapter One

Executive Summary

For at least the last twenty-five years manufacturing industries have been expanding into the non-metropolitan areas of the U.S. and the rate of this industrial migration has been increasing. Between 1960 and 1970 manufacturing employment in metropolitan areas grew by four percent while non-metropolitan areas had a 22 percent growth.

Some architects of public policy view the location of industry in small cities, towns and rural areas as an important tool for solving the twin problems of rural poverty and urban crisis. It is regarded as a primary instrument for achieving the policy goals set forth in recent federal legislation. For example, its use is explicit in the Economic Opportunity Act of 1964, the Public Work and Economic Development Act of 1965, the Appalachian Regional Act of 1965 and the Rural Development Act of 1972.

This report attempts to assess the validity of this view of rural industrial development. To do so we draw upon case study documents for research results about the impact of industrial development upon a) the population dynamics, b) the private sector, c) the public sector, and d) the quality of individual well-being in the host communities. From these findings we induce generalizations which are then considered in light of publicly stated policy goals.

It is essential to describe the data base from which our generalizations are drawn. There have been many investigations of the impacts of locating an industrial plant in a non-metropolitan community. Most often the investigation was started <u>after</u> the plant was constructed

and in operation. In a few instances, investigation coincided with plant development. These case study research efforts are the raw material for this monograph. For nearly a year we sought documents reporting results of impact case studies and by June, 1974 had retrieved the 178 documents which are digested in the following pages.

The studies summarized here offer a regional flavor and also involve many types and sizes of industrial plants. Moreover, the towns and counties which hosted new plants provide a sampling of the types and sizes of communities for which industrial development is purported to offer hope. Where findings are repeated across regions, types of communities and types of industrial firms we feel reasonably confident that we have uncovered a valid generalization.

Yet, we feel compelled to caution that the plant sitings selected by the original researchers and identified by us do not constitute a representative sample of all such new plant locations in the U.S. between 1945 and the present.

The studies come predominantly from the Midwest and the South. They often were done by economists or sociologists associated with the state's Agricultural Experiment Station and Land Grant College. What biases may have influenced the researchers' site selections and problem specifications, we cannot know. With that caveat we turn to the empirical generalizations.

Empirical Generalizations

1. In a clear majority of plant locations, the host community experiences population growth.
2. The population growth effect of a new plant is concentrated in villages and towns nearest the plant site.

3. The rate of population growth clearly is a function of the size of the industrial firm.
4. The initial source of population growth is likely to be increased in-migration coupled with unchanged or decreased out-migration.
5. The majority (2/3 to 3/4) of in-migrants move no farther than 50 miles. Those who move farther are probably managers and technical personnel.
6. The proportion of the host county's population living in places of 2,500 or more is increased by industrial development, with some growth also in hamlets and the open country.
7. Non-metropolitan industrial workers, as a group, are residentially more mobile than rural dwellers generally.
8. Non-metropolitan workers often commute long distances for a period of time after employment, but in the long run they move closer to their place of work, or change jobs.
9. The labor sheds of non-metropolitan industrial plants often are larger than those in metropolitan areas, their size depending on many factors including size of towns near the plant, local highway system, wage differentials between the plant and other local employers, and personal attributes of the workers.
10. Employers prefer younger workers although in some instances, skill gained through experience may be competitive with youth.
11. Preferences for male vs. female employees are related to the type of industry, with males predominating in the heavy manufacturing industries and females being favored in the light industries such as apparel, textile and appliance assembly plants. The latter are low-skilled, low-wage industries.

12. There is considerable evidence that nonwhites are under-represented in the work forces of non-metropolitan industrial plants. Where they are hired they are concentrated in unskilled and semi-skilled jobs. This situation may indicate outright discriminatory hiring practices, or insufficient skill level among local nonwhites, or both.

13. Non-metropolitan industrial workers have larger households than the local area residents generally. This appears to be a function of their age relative to the local population, more are in the child bearing and child rearing stages of the family cycle.

14. There is virtually no evidence that industrial development increases the level of educational attainment in the host community. Where it does occur the evidence suggests it is due to changes in the age structure, younger adults generally have completed more years of schooling.

15. New jobs often do not go to the local unemployed, underemployed, minorities and marginally employable persons likely to be near or below the poverty level.

16. High-skill, high-wage industries which are most likely to increase the aggregate income and raise the percentage of families above the poverty level, are least likely to hire local disadvantaged. The apparent gains in aggregate income and unemployment rate often hide the failure to aid the local disadvantaged.

17. Low-skill, low-wage industries are more likely to employ the disadvantaged.

18. Most female workers expect to draw unemployment if laid off and retire from the labor market if no work can be found locally. Moving the household to secure the wife's employment is not regarded by most female workers as a viable alternative.
19. Most male workers expect to seek other industrial work if laid off. Few would consider returning to farm work. Moving to another community to secure employment is an undesirable, but viable alternative.
20. Worker dissatisfactions with wage work in industry are offset by higher standards of living, job security, shorter hours, easier work, and greater chances of advancement.
21. Industrial firms often are offered inducements by the local community to encourage their choice of the community as a plant site.
22. Increase in the fiscal resource base of the local community often is outweighed by increased costs of providing services to the new industry and the community.
23. Net fiscal gains to the local government do occur. This usually is when a) no local subsidy was offered the industry, b) the plant work force is hired locally, or c) large proportions of the plant work force live outside the community and commute to work.
24. Where new industry is accompanied by population growth it often strains existing basic service delivery systems.
25. Anticipated benefits to the local community generally exceed perceived benefits after development. Even so, the percentage of local citizens perceiving benefits outweighs those expressing negative opinions.

26. Those not perceiving personal benefits are heavily concentrated among the old, the ethnic and racial minorities, the unemployed and farmers.

27. Having experienced industrial development, a majority of the local citizens want more.

28. Many local residents express positive feelings about one or another aspect of industrial invasion; e.g., population growth, in-migrants, economic diversification, improved local shopping, and opportunity for off-farm work. While there were contrary feelings expressed, the scale weighs heavier in favor of optimism and satisfaction.

29. In-Migrants express more dissatisfaction with the local community services than long-term residents, particularly when the in-migrants are of higher skill and income levels than the host community residents.

30. Participation rates of industrial workers in voluntary organizations (churches, civic clubs, recreational) are similar to other community residents.

31. There is some evidence that choices of types of organizations in which to be involved differ between newcomers and long-term residents. The in-migrants show a propensity to favor business, professional and labor organizations which appears to reflect their educational and occupational characteristics.

Policy Implications

The above generalizations were weighed against the following public policy goals taken from federal legislation:

- Achieve a more balanced population distribution
- Decrease the percentage of families below the poverty level
- Achieve greater equality of income
- Reduce unemployment
- Upgrade the quality and availability of basic services

The results of that exercise in logic are distilled in the comments which follow. They are not intended to be policy statements, but rather statements which convey ideas relevant to existing policy or the need for future policy.

1. Use of public money to induce industrial migration is not necessary because of the existence of market conditions which stimulate migration decisions among managers of industrial capital. But public money may be quite valuably spent as a steering mechanism to guide industry's site selections to where their presence would bring maximum benefit to the local public.
2. Low-skill, low-wage industries should be encouraged to locate in communities (areas) with a surplus of low-skill labor. This is viewed as a first stage of development to be followed by high-skill, high-wage industry. Where surplus labor is highly skilled as well, the two stages might well be executed simultaneously.

3. Recognizing that managers of private capital must make decisions which maximize capital gains for the firm it is very likely some communities which do not attract private capital could nevertheless support low-profit enterprises. In those instances it would be equitable to use public money to subsidize the formation of local cooperatives and/or public profit-making corporations.

4. In order to ensure that disadvantaged residents are not bypassed by the employment benefits generated through rural industrial development, training programs to upgrade the skills of the local population should be established and anti-discrimination laws should be enforced. For publicly assisted plants, stipulations should be made as to the proportion of poor or unemployed persons that must be hired.

5. The small towns which will receive assistance in building infrastructure and attracting industry should be carefully selected so that funds are not dissipated on areas with little self-generating growth potential. For this purpose, greater use should be made of comprehensive research techniques, whether by government, private or academic analysts.

6. Broad-based, long-range development strategies, involving a number of industries and not only manufacturing, should be created in order to begin solving the area-wide problems of unemployment and economic stagnation. This would require expanded funding and functioning of regional planning bodies.

7. There is a need to create awareness among rural populations of the type and extent of changes that industrialization may

bring. Results commonly expected are new jobs and population stabilization, while changes in the social structure and leadership are less often anticipated.

8. Strain on a community's public services may be minimised by attracting a plant of suitable size; i.e., either one that makes few demands on existing facilities such as medical, police, and five services, or one which is large enough to provide these for itself.

9. A comprehensive labor survey in the early planning stages of location may help match supply and demand. The size, and skill levels of potential male and female employees should be documented.

10. Firms locating in rural areas could be made aware of, and encouraged to participate in, government minority training assistance programs, especially where a labor survey has shown a large potential supply of unskilled, racial minorities, and women.

11. Since many rural industrial workers are young people with families, provision of schools and other child-oriented services such as day care centers are important. Assistance may be required to establish and expand these facilities in order to attract skilled workers and utilize local female labor.

12. The pattern of population growth and residential location associated with industrial development in non-metropolitan areas is certain to exacerbate the taxation of agricultural land and further weaken the economic viability of farm enterprises. Therefore, it would seem prudent to establish a national land use policy which safeguards the future of agricultural land.

13. A national level program of training and assistance to local government officials and public administrators should be established. The fiscal resource base of many communities appears to be inefficiently utilized because of ineptness and lack of knowledge about such matters on the part of local officials.